

FINANCIAL SECTOR ADVISORY CENTER (FinSAC)

# Renewed supervisory challenges in light of tightened financial conditions and economic slowdown

May 9–10, 2023 | Vienna, Austria

## Session 5: Same, same but different: Resolution for all Banks?

Presentations by:

DG FISMA – EU Commission

Michael Piller – FinMA

Ernesto Mesto – Bank of Italy

Jacques Botes – South African Reserve Bank

David Papuashvili – World Bank Consultant

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## Same, Same but Different: Resolution for all banks

Dimitra BOURNA, José HAUTEMANIERE, Joris VAN DIJK  
DG FISMA, European Commission

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Ernesto Mesto  
Bank of Italy

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Michael Piller  
FINMA

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## Resolution approach to systemically important banks and non-SIFI banks

Jacques Botes  
South African Reserve Bank



# World Bank FinSAC conference

*Session 5: Same, Same but Different: Resolution for all banks*

***Small and big bank resolution under the EU framework – need for reform***

*Dimitra BOURNA, José HAUTEMANIERE, Joris VAN DIJK*

*10 May 2023*

# Background of the EU Crisis Management and Deposit Insurance Framework (CMDI)

## What is resolution?

- Provides tools and powers to orderly manage the failure of a bank, in a manner that minimises the negative impact on clients, financial stability, and the real economy, while protecting taxpayers' money.

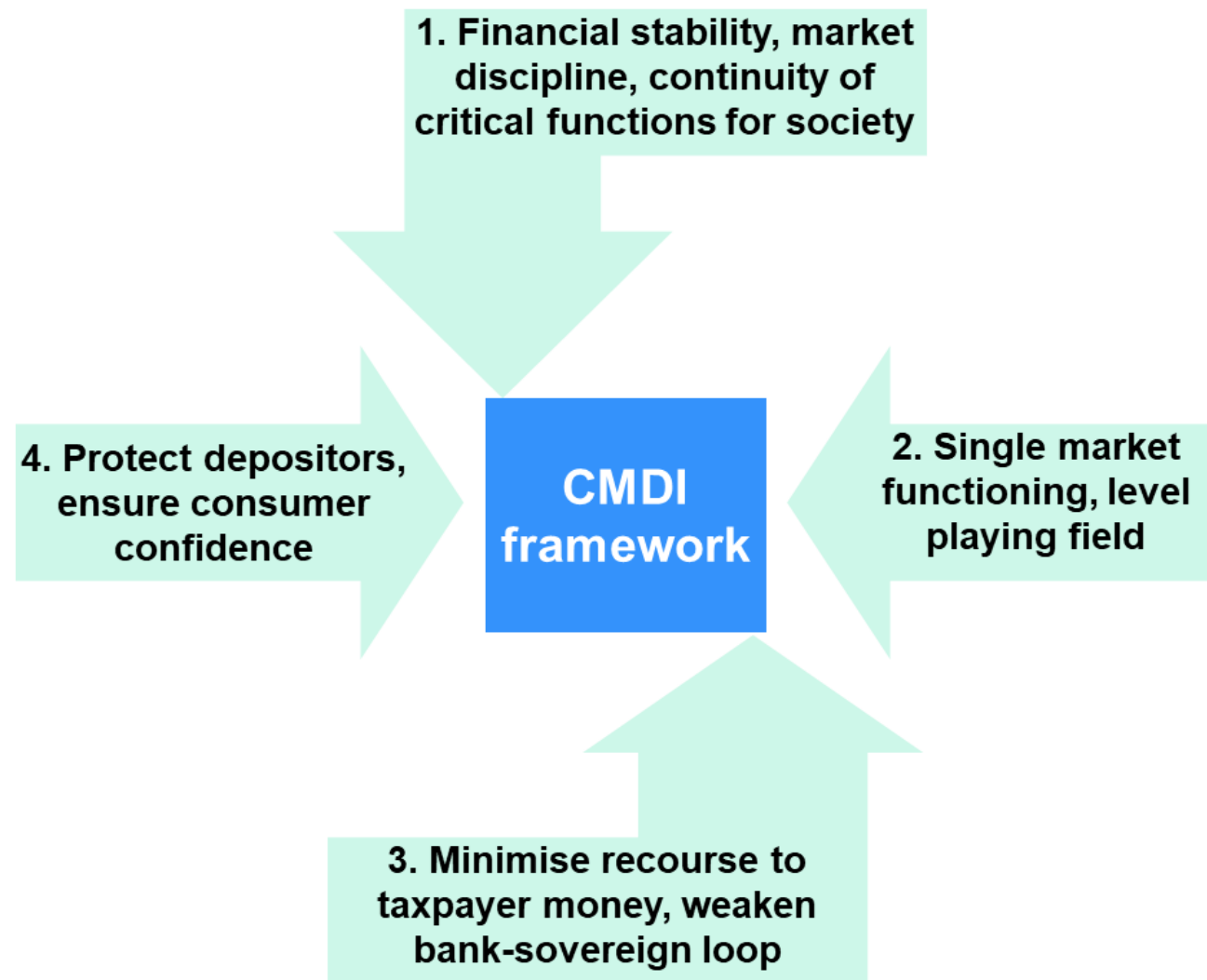
## Why is resolution needed?

- As a rule, banks can go bankrupt as any other firm. But dealing with the failure of a complex bank or group, under standard insolvency procedures, could have a serious impact on the public, businesses and financial stability (including across borders).
- In response to the financial crisis of 2008, when many banks were in financial distress and EU governments stepped in and saved them with taxpayers' money, the EU took action:
  - ⇒ The concept of resolution was introduced in the EU (with the Bank Resolution and Recovery Directive – BRRD and the Single Resolution Mechanism Regulation – SRMR) based on the Financial Stability Board's Key Attributes of an Effective Resolution Regime, while the Deposit Guarantee Scheme Directive (DGSD) ensures depositor protection.
  - ⇒ A Banking Union was established in 2012, for the banks in the Euro area countries: creation of central authorities for supervision (Single Supervisory Mechanism), resolution (Single Resolution Mechanism for the Eurozone) and – *not yet agreed/established* – common deposit insurance.

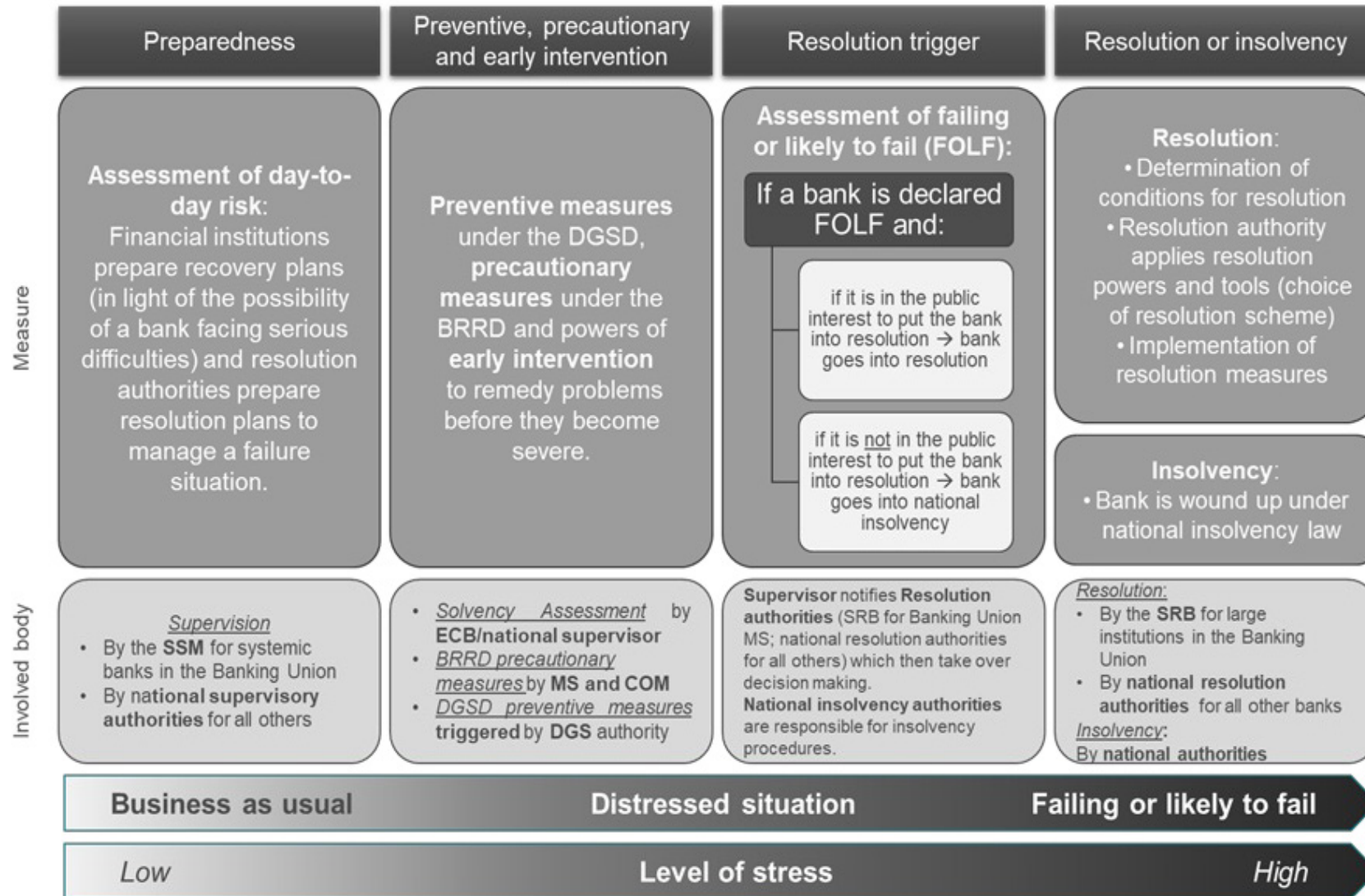
# CMDI existing framework

- Applies since 2015 (bail-in powers and SRMR since 2016)
- Harmonised **EU framework for handling the recovery and resolution** of failing banks and ensure depositor protection
- Second pillar of the Banking Union
- 3 pieces of legislation:
  - ⇒ Bank Recovery and Resolution Directive (BRRD)
  - ⇒ Single Resolution Mechanism Regulation (SRMR)
  - ⇒ Deposit Guarantee Scheme Directive (DGSD).
- **Release of the European Commission's CMDI reform proposals on 18/04/2023**

## 4 general objectives



# CMDI existing framework – main elements



- The **CMDI provides for set of instruments** that can be applied in the various stages of banks distress:
  - ⇒ **Recovery actions**
  - ⇒ **Early intervention** measures
  - ⇒ **Measures to prevent failure**
  - ⇒ **Resolution toolbox** when bank is FOLF and there is public interest
- **Outside of the CMDI framework, national insolvency procedures** continue to apply for those banks, for which, there is **no public interest** to resolve.
- **To ensure the funding of resolution:**
  - ⇒ **Creation of national resolution funds (RF) and the Single Resolution Fund (SRF)** in the Banking Union, privately funded by the industry through *ex-ante* contributions
  - ⇒ Bank specific requirement for banks to build **internal loss absorbing capacity** (Minimum own funds and eligible liabilities –**MREL**)
  - ⇒ **Min. 8% contribution (bail-in) by total liabilities and own funds (TLOF)** is required for assessing RF and SRF in resolution.

# CMDI reform package - Narrative and objectives

## KEY MESSAGES

- Long-standing project – Not related to SVB/ Credit Suisse fallout
- Mixed inventory of the existing CMDI framework in the EU:

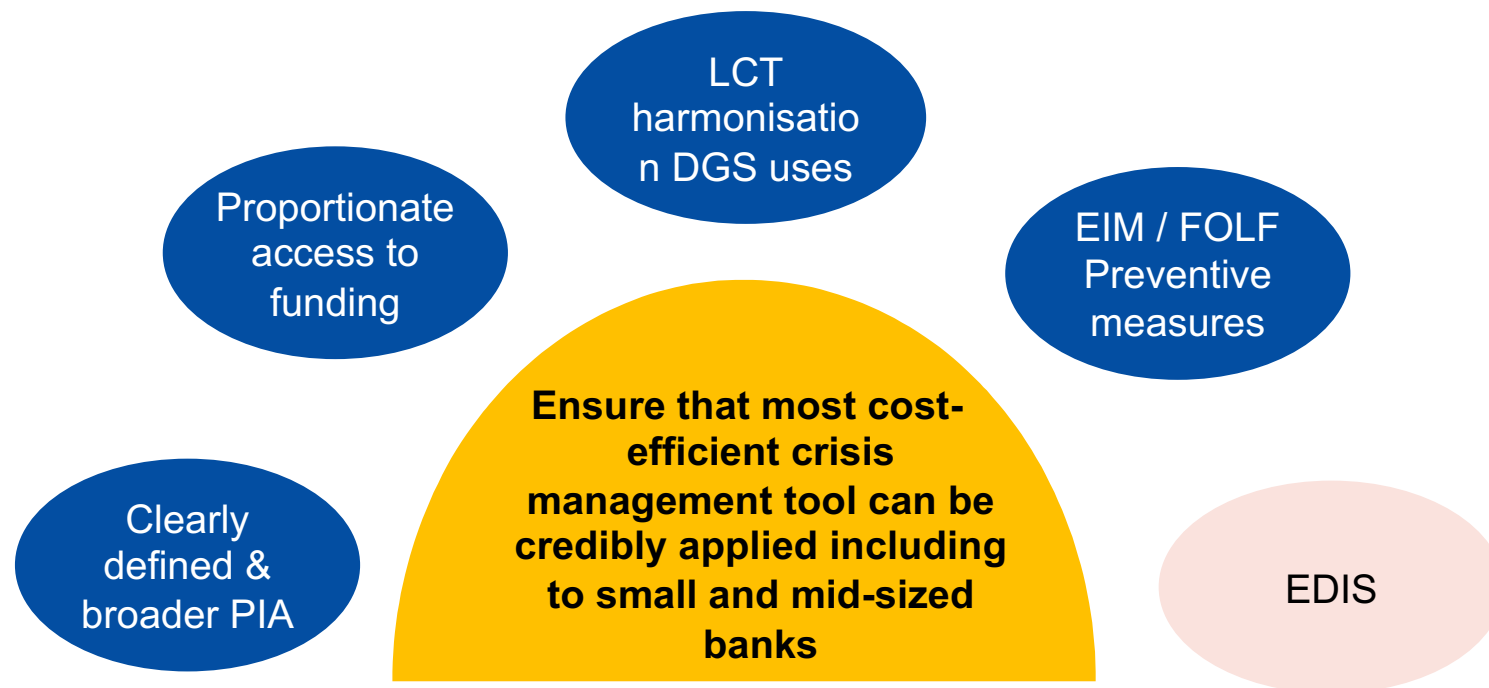
- **Significantly better preparedness for crisis events:** safety nets build-up, recovery/resolution planning, MREL requirements, resolvability improvements.

- **...but under-recourse to the resolution framework:** idle ex-ante industry-funded safety nets, public support used to tackle bank failures, circumvention of the resolution framework, no market exit in case of failure or disruptive liquidation.

## GOALS

- Preserve financial stability and taxpayers' money (use of DGS in resolution to shield depositors, where needed)
- Focus on smaller and mid-sized banks with high share of deposits in the balance sheet
- Improve efficiency for the economy (advantages of resolution, DGS uses other than payout may be more cost-effective)
- Better protection of depositors (no change to the coverage of EUR 100 000, but harmonisation of protection across the EU)
- Pave the way for Banking Union completion

# CMDI reform package - Overview



- **Achieve more resolution**
  - ⇒ Expansion of resolution scope (through changes in the public interest assessment (PIA))
  - ⇒ Proportionate approach to funding in resolution: effective use of DGS resources and access to RF/SRF
- **Ensure effective and consistent avenues are available outside resolution**
  - ⇒ Retain national options for preventive and alternative measures in insolvency, while improving level playing field and strengthening applicable conditions
  - ⇒ Harmonise the least cost test (LCT) for DGS uses for incentive-compatibility (reduce arbitrage)
  - ⇒ Proportionate approach to funding: effective, broad and consistent use of DGS resources
- **Improve prospects for timely FOLF triggering**
  - ⇒ Improve predictability of CMDI outcomes to encourage timely FOLF triggering
  - ⇒ Clarify early intervention measures
  - ⇒ Reinforce cooperation between supervisory and resolution authorities



# Focus: Expansion of resolution scope

## Public Interest Assessment (PIA)

### **Current resolution objectives (that guide the choice between resolution and insolvency):**

- Ensure continuity of critical functions
- Avoid significant adverse effect on the financial system
- Protect public funds by minimising reliance on extraordinary public financial support
- Protect depositors
- Protect client funds and client assets

### **Goal of the review:**

- Apply resolution to more medium-sized/smaller banks where it better achieves the framework's objectives (financial stability, depositor protection, reduced use of taxpayer money)

### **Main elements:**

- Changes in the definition of critical functions (Article 2(1)(35) BRRD) to account for effects at regional level
- Procedural changes to the comparison between resolution and insolvency (Article 32(5) BRRD / Article 18(5) SRMR)

# Focus: Funding in resolution and creditor hierarchy

Adequate funding in resolution

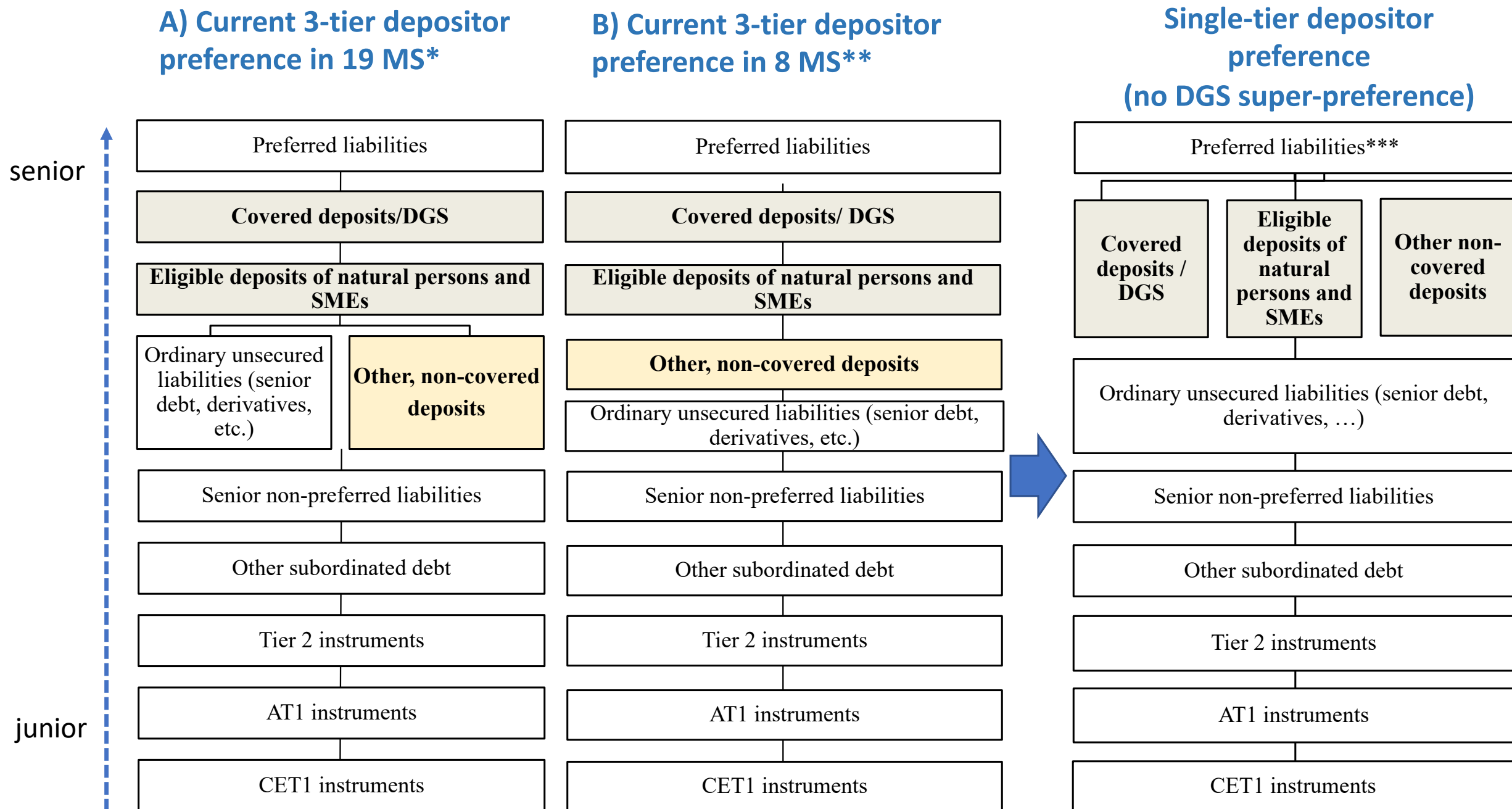
Depositor preference

## Objective:

- For legal certainty and predictability: **making funding realistically available in resolution** is a pre-requisite

## Main elements:

- **Banks' internal loss absorbing sources (MREL)** remains the first line of defence. The rules to **use DGS in resolution** are adjusted for **transfer strategies leading to market exit** (Article 109 BRRD / Article 79 SRMR):
  - The DGS may be used to cover the **difference** between the assets and the deposits transferred to a recipient and, where necessary, to contribute to the own funds of the recipient (negative price)
  - All **deposits** may be included in the scope of the transfer – however, for non-covered deposits, resolution authority must demonstrate that the reasons for their protection are met (bail-in exclusions)
  - The amount of the DGS contribution is limited by the **least cost test defined in the DGSD**
  - Where non-covered deposits are included in the transfer, the DGS contribution counts towards **compliance with the 8% TLOF requirement** for accessing the RF/SRF ('bridge function'), and is limited to the amount necessary to meet the 8% TLOF, compensating only for losses that would have otherwise been borne by deposits.
  - The use of DGS bridge to access the RF/SRF comes with safeguards: case by case decision of the resolution authority (no automatism), only for transfer strategies with market exit, only for non-liquidation entities, only if the protection of non-covered deposits in a transfer is justified.
  - The DGS is covered by the '**no creditor worse off**' safeguard.
- To make the DGS use under the LCT realistic, establish a **general depositor preference**, combined with a **single-tier ranking** that removes the super-preference of DGS claims (i.e., all depositors ranking equally amongst themselves) in the national insolvency creditor ranking—see next slide.



\* AT, BE, CZ, DE, DK, EE, ES, FI, FR, IE, LV, LT, LU, MT, NL, PL, RO, SE and SK.

\*\* Other 8 MS have preferred non-covered deposits relative to ordinary unsecured claims (BG, CY, EL, HR, HU, IT, PT and SI).

\*\*\* The Single Resolution Fund/ National resolution funds are among preferred liabilities.

Note: this illustration is stylised and simplified. In reality, the hierarchies of claims across MS are only partially harmonised (in particular the subordinated layers), while the senior layers are largely unharmonised and may include additional sub-classes.

# DGSD: main elements of the reform

## Scope of depositor protection

- **Protection of public authorities**, including public entities, such as schools, municipalities or hospitals
- Further harmonisation of the protection of **temporary high balances** – minimum level of protection and scope of events
- Clarified and enhanced harmonisation of the **protection of client funds' deposits** (deposits held by financial institutions because of segregation rules on clients funds: payment institutions, e-money institutions, investment firms)

## Uses of DGS funds

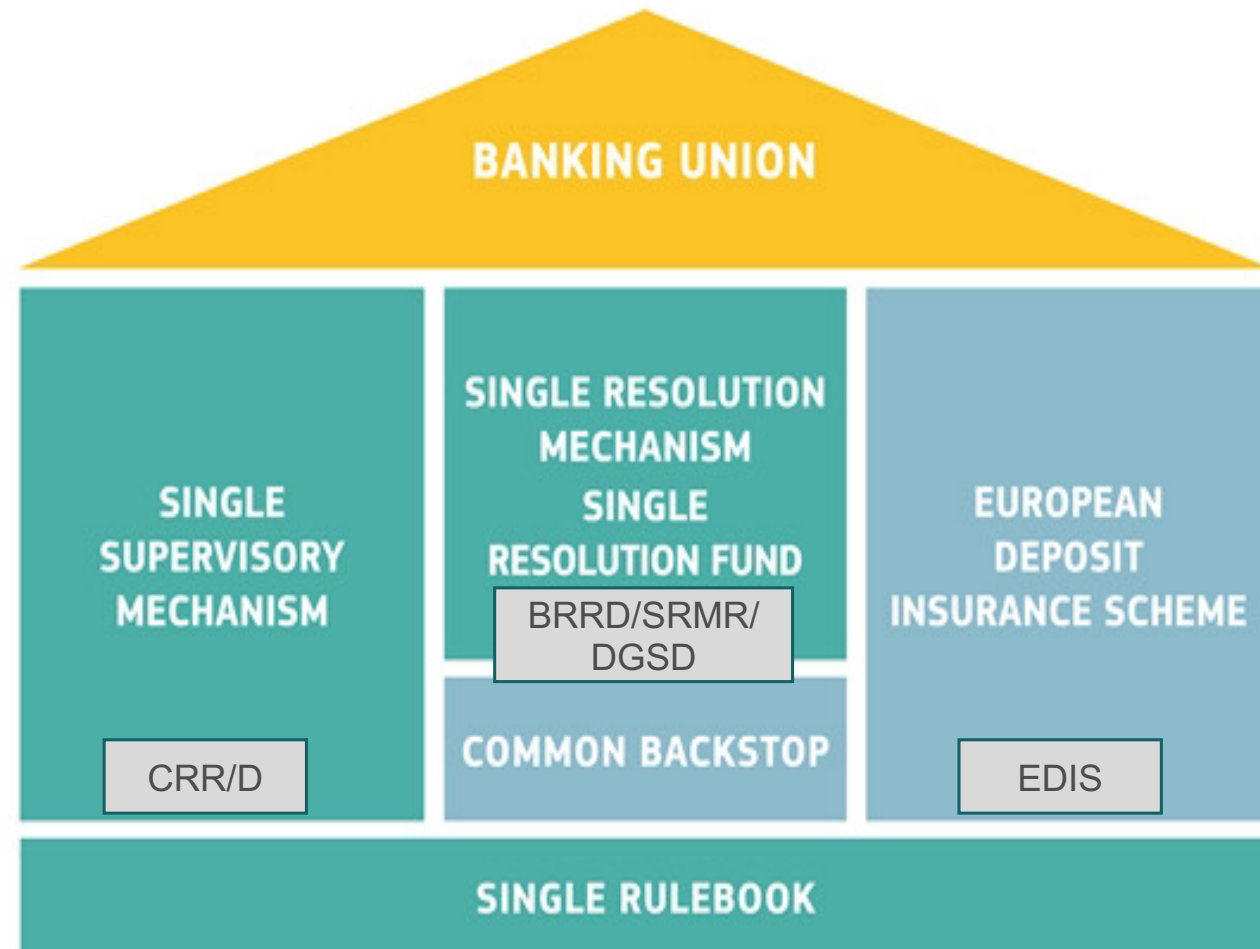
- **Harmonised rules and safeguards** on when and to what extent DGSs can use their funds to finance preventive measures (e.g. LCT, submission of a note with measures the bank commits to undertake to supervisory authority)

## Least Cost Test

- Harmonised **least cost test** for all DGS interventions outside payout
- **Net approach**, time value of money and type of indirect costs in level 1 text
- EBA mandate for LCT detailed methodology

# Annex

# Three Pillars of the Banking Union



Green = implemented, blue = pending. Implementation of the backstop 2022-24.  
Source: European Commission, [Banking Union infographic](#)

## The Banking Union

- Represents a deeper integration of the euro area banking system
- It was created in the wake of the global financial crisis of 2008-2009
- It consists of three pillars aimed at achieving:
  - Stronger prudential requirements and supervision of banks
  - Rules for managing banks' failures
  - Improved protection for depositors
- It is underpinned by a single rulebook which consists of initiatives for all financial actors in the 27 EU countries.

# DGSD: other elements of the reform

## DGS funding

- Criteria on types of financial assets eligible to target level requirements
- Clarification of rule to rebuild target level in 6 years after depletion to less than two thirds of the target level
- Clarification of sequencing of the use of funds
- Investment strategy for DGS funds

## Repayment process

- Harmonisation of the longer repayment period for most complex disbursements
- Burden of proof on depositors' side for beneficiary accounts and THB
- Withholding of the payout to a depositor that gives rise to AML/TF concerns
- Repayment above EUR 10.000 through credit transfer
- Some changes related to dormant accounts (cost threshold for active steps towards repayment, link to active account)
- Maximum period to claim deposits for depositors

## International cooperation

- Possibility for 'home' DGS to pay-out deposits in 'host' member states directly
- Host DGS point of contact under freedom of services
- Clarification on applicable amount to transfer in case of change of DGS affiliation
- Compulsory affiliation for third-country branches to DGS in EU Member State

# FinSAC 10 May 2023 Vienna

FINMA Presentation on Events of 19 March 2023

08 May 2023



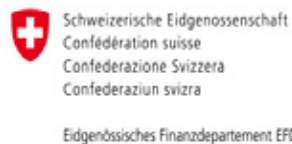
Role of financial market supervision

## Financial market regulation in Switzerland: protagonists



### Role of financial market supervision

Financial market regulation in Switzerland: protagonists



### Federal Department of Finance

- Coordination of the Federal Council's financial market policy
- Drafting of legislation



### Swiss National Bank

Contribution to financial stability (NBA Art. 5)



### FINMA

- Financial market supervision
- Subordinate regulation

FINMA in profile

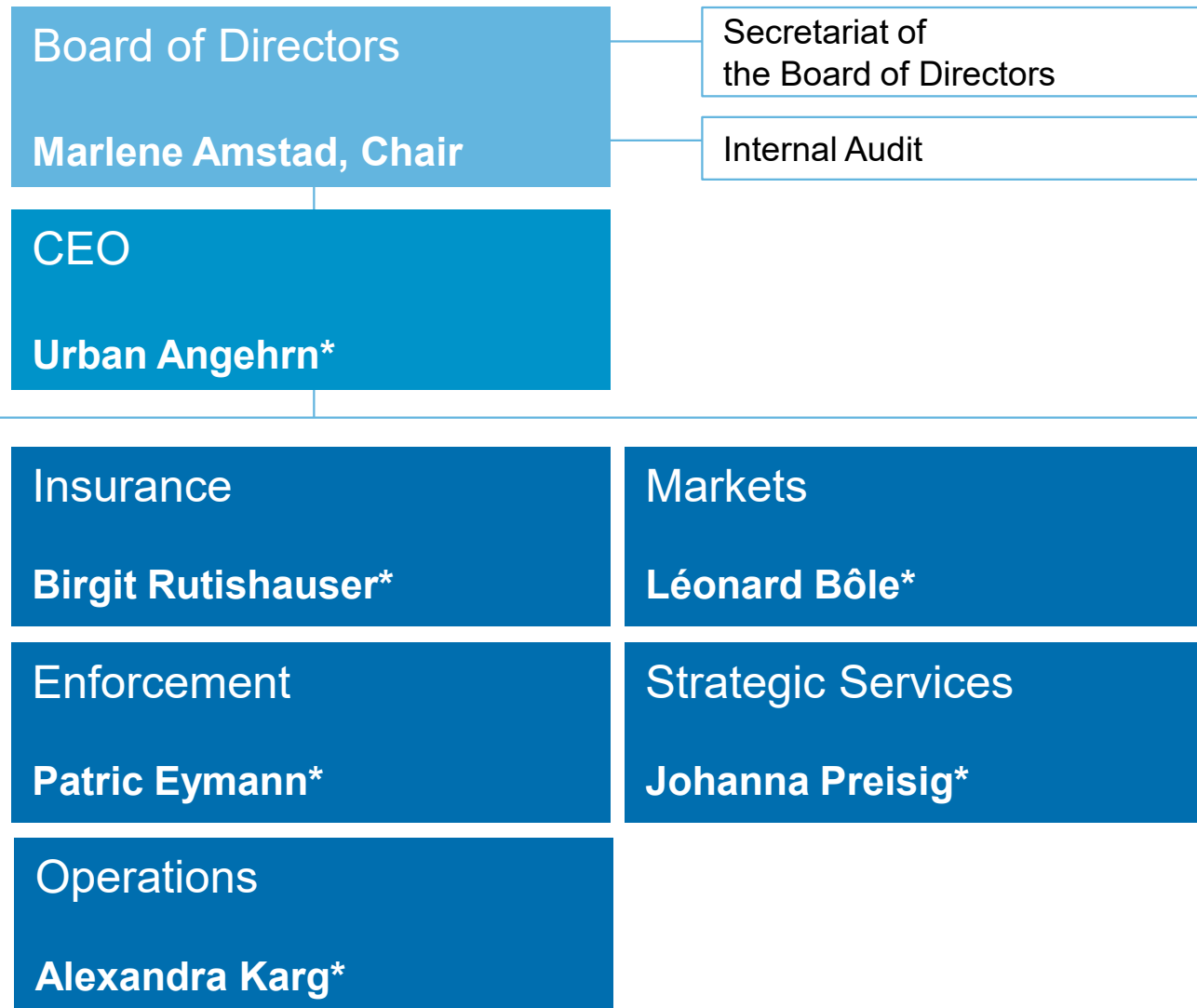
# Organisational chart

(1 September 2022)

\* Member of the Executive Board

■ Division

□ Sections and groups reporting directly to the Board of Directors



## **Overview**

### **Point of non viability at Credit Suisse**

### **The options on March 19, 2023**

#### **Ready-to-go Resolution package on March 19, 2023**

- Content of the Resolution package
- Set-up of the resolution package in the Swiss legal framework
- Roadmap to prepare the resolution package
- Deep dive into specific resolution areas

### **TBTF after March 19, 2023: First thoughts**

#### **Questions we will touch on today**

- What was in the resolution package?
- How was it dressed up?
- How we get there?
- Other questions based on the discussion

## **Point of non viability of Credit Suisse**

### **Where we were, where we are now**

#### **7 weeks ago, on 19th March 2023:**

- Point of non viability at Credit Suisse (Banking Act 25)
- Announcement of merger transaction with UBS
- Restructuring order and plan ready to be signed (Resolution Option)

#### **Now:**

- Situation stabilised (so far!)
- TBTF Framework under fire:
  - nationally and internationally
  - generally and regarding specific elements

**Need to learn the lessons of this crisis as soon as possible, based on an in-depth analysis – FINMA committed to work closely with the international community to perform exactly this!**

## Options on 19th March, 2023

### What was on the table?

#### Actual options

- Merger with UBS Group
- Resolution via restructuring of CS Group
  - Strategic adaptation of business model (speed and scope of IB exit)
  - Capital strengthening via equity and AT1 write off and conversion of bail-in debt
  - Liquidity measures via PLB (emergency law) and central bank facilities
  - Governance measures

#### Considered but deemed not suitable

- Bail-out via temporary public ownership
- Bankruptcy of Group/Parent entities with carve-out of the Swiss domestic entity

## **19th March, 2023**

### **Creditor hierarchy vs Intervention hierarchy**

#### **Creditor hierarchy**

- Pillar of corporate finance and broadly speaking of market economy
- Undisputed application in case of liquidation/bankruptcy
- AT1: Instruments designed as recovery tools as per T&Cs

#### **Intervention hierarchy**

- Resolution is *Ultima Ratio* only!
- Market-based or contingency measures deemed more suitable in terms of economic, legal and financial stability rationals

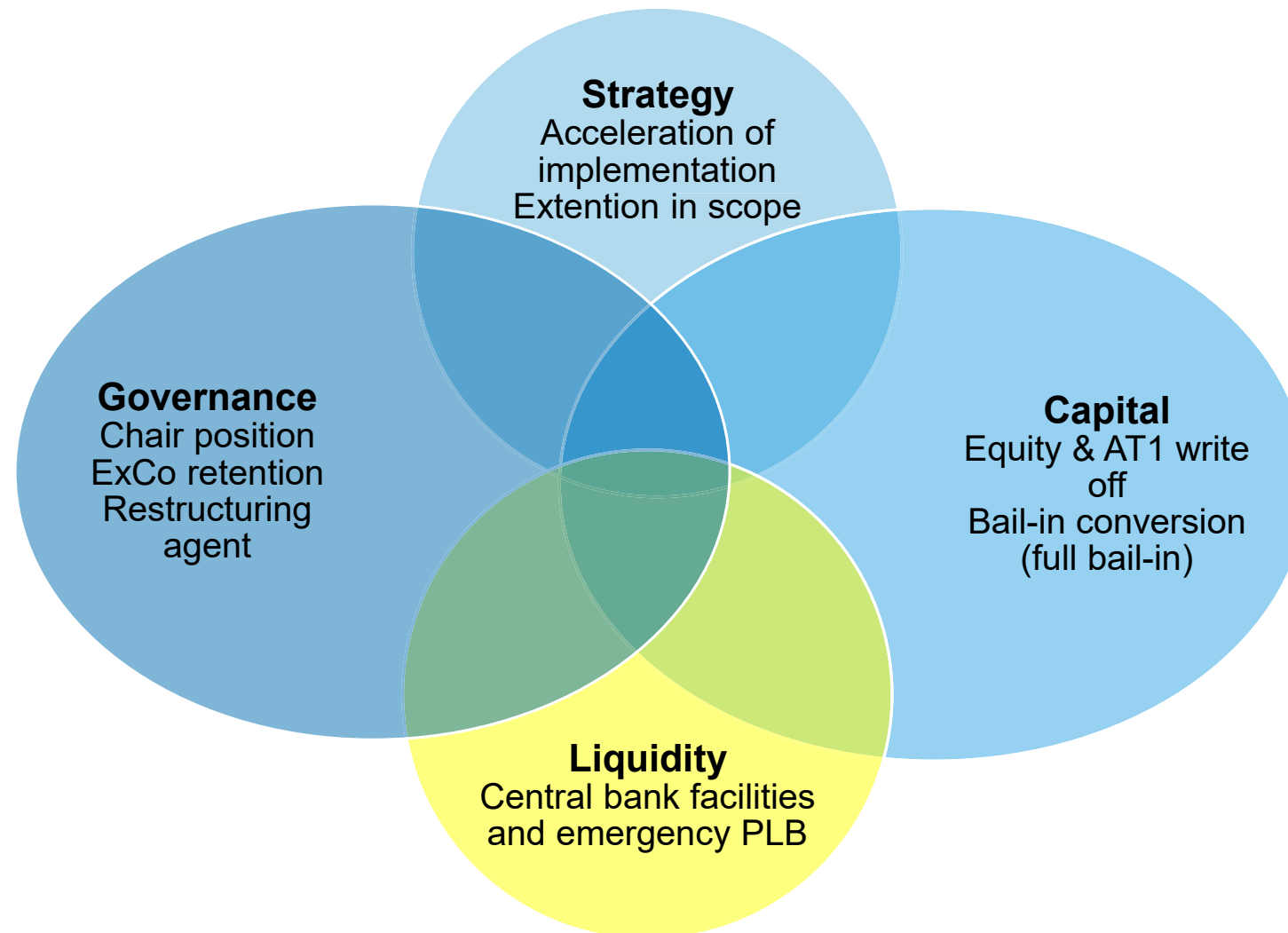
#### **Merger of Swiss G-SIBs on 19th March 2023**

- Commercial measure with authorities as facilitators
- available on 19th March 2023
- best prospect of success to stabilize banks and markets, nationally and internationally on 19th March 2023 and after

# Ready-to-go Resolution on 19th March, 2023

## What was in the resolution package?

### Main features of the resolution of Credit Suisse



## **Ready-to-go Resolution Package on March 19, 2023**

### **How was the Resolution dressed up?**

#### **Set-up in Switzerland**

- Restructuring Plan
- Restructuring order (decree)

#### **Restructuring Plan (public)**

- Measures (Capital, Restructuring, Governance)
- Adherence to licensing requirements post restructuring
- Fulfilments of legal requirements (approval criteria)
- Stay, Registers compliance, Immediate Effectiveness, Access to files, (...)

#### **Restructuring Order (Decree)**

- Approval of the restructuring plan and measures
- Approval of the mandate for the restructuring agent
- Proportionality
- NCWO



## **Ready-to-go Resolution Package on 19 March, 2023**

### **How did we get there?**

**After an initial period of increased liquidity outflows in early October 2022 FINMA invoked its crisis governance including but not limited to the following cornerstones:**

- 7-10 Days readiness goal for resolution measures
- Weekly FIR metrics delivery
- Dry run during November (only within FINMA)
- Almost weekly interaction within CMG
- VIR run early December including CMG review
- Additional VIR runs, in March
- Intensive coordination amongst Swiss authorities according to MoU

### **Final Runway Period in March 2023: 4 Days!**

- All Swiss authorities on site in Bern

## Deep dive in the resolution option of 19th March, 2023

### What we made ready to go

#### **TLAC, Bail-in execution and valuation**

- After Bail-in conversion/AT1 write-off: expected Tier1 Ratio of Credit Suisse New = over 40%

#### **Recognition and Cross-border cooperation**

- Bail-in at Swiss G-SIBs: multinational by design
- Intensive cooperation necessary upfront *and* with material risk
- Operational challenge: parallel drafting of legal documents, in German (official) / English (for recognition process)

## **Between 14th and 19th March, 2023**

### **Point of non viability: capital-based and liquidity-based approaches?**

On 15th March Credit Suisse Group was compliant with liquidity and capital requirements. However, outflows on and post 15th March increased to unprecedented levels.

"Justified concern of potential imminent liquidity difficulties of the group", meaning the point of non viability according to Swiss Banking Act was met on March 19th, 2023.

Factuals grounds: (Proxy) public indicators of severe crisis were available (share price, CDS spread) and non public indicators (HQLA, Trapped Liq, FIR Report, daily liquidity management calls).

**19th March, 2023**

## **Why not triggering of Swiss resolution transfer tools?**

**"Shotgun Wedding" vs "Marriage of convenience"?**

### **Merger as resolution measure not an option**

- Economic background
  - "Merger of Equals"
  - Worldwide stage, not only domestic issue
  
- Legal technicalities and risks
  - Tool designed as restructuring measure (with all consequences)
  - Scope
  - No universal succession
  - Consideration (substance, approval process)
  - UBS commitment could not have been enforced by FINMA
  - International community (recognition and competition / regulatory approvals in key foreign jurisdictions)
  - Swiss provision with inherent uncertainties and open questions

## **TBTF Framework**

### **Specific benefits in this idiosyncratic crisis**

#### **Decisive elements of the TBTF Framework in relation to Credit Suisse**

- TBTF did offer an actual alternative to the (last possible) contingency measure, based on improved:
  - International coordination
  - Bail-in able capital instruments
  - Liquidity monitoring tools
  - Structure of the bank
  - Operational readiness of authorities, internationally and domestically.
- Bail-out/TPO could be ruled out early on.
- Capital and especially liquidity requirements were decisive to absorb the shock of October 2022: 138bn in Q4, over 80% of it within October.

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THANK YOU!



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# Resolution for [sm]all banks: differences to larger banks' resolution

**Ernesto Mesto**

Liquidation Division – Resolution and Crisis Management Unit – Banca d'Italia

***Renewed supervisory challenges  
in light of tightened financial conditions and economic slowdown***

World Bank – FinSAC

May 9-10, 2023 - Vienna

# Agenda

- 1. Italian liquidation procedure (compulsory administrative liquidation - CAL)*
- 2. CAL featuring "purchase & assumption" transactions (Liquidation P&A)*
- 3. The Sale of Business tool (BRRD) and Liquidation P&A*
- 4. The Liquidation P&A bidding process*
- 5. DGS's Intervention - The least cost valuation*







# 1. Italian liquidation procedure

Failing or likely to fail

Supervisory Authority (or Resolution Authority in case of inaction by the SA)

No alternative solution

Resolution Authority, after consulting the Supervisory Authority

Yes

Resolution

Public interest?

No

National  
Insolvency  
Proceeding

**Resolution Authority**





# 1. Italian liquidation procedure

- **Compulsory administrative liquidation** (“CAL”) is the ordinary liquidation proceeding applicable to **handle the irreversible crisis of banks and other financial institutions** (investment firms, asset management company, payment institutions, other financial operators).
- CAL is governed by Legislative Decree No. 385/1993 (“Italian Banking Act”) and, where applicable, by the national Insolvency Code. It is managed under the Bank of Italy supervision and qualifies as a **national insolvency proceeding** for the purposes of the BRRD and the SRMR.
- The CAL for banks is triggered by the **same conditions of the Resolution but with a negative public interest test.**





## 2. Liquidation P&A

### Piecemeal liquidation:

- a) Immediate disruption of critical functions
- b) Business value destroyed
- c) Adverse impact on real economy
- d) Long waiting times for creditors
- e) Crisis of public confidence in the banking system
- f) Risk of domino effects

### Liquidation P&A:

- a) Reduce destruction of value
- b) Continuity of critical functions
- c) Level playing fields for creditors
- d) Preserve public confidence
- e) Minimize the overall cost of the crisis
- f) Flexibility to achieve the appropriate outcome

Since 1987 (establishment of the Italian DGS, FITD), the Fund's interventions provided in 9 cases in the context of a Liquidation with assets and liabilities disposal and in 2 cases as reimbursement of depositors. Since its establishment (in 1997), the Italian DGS for cooperative banks (FGDCC) has done 22 alternative interventions to support CAL with P&A transactions and only one depositor payout.



### 3. The Sale of Business tool (BRRD) and Liquidation P&A

The sale of business tool enables the resolution authority to transfer shares, assets, rights or liabilities of the failing bank, as a whole or in parts, to a third party, without the consent of shareholders (artt. 38-39 BRRD)

- Common trigger: presence of interested buyers
- Common objectives: e.g., ensuring the continuity of the critical functions

*But...*

- ✓ Unlike SoB, in CAL proceedings DGS is allowed to financially support the transfer of assets and liabilities
- ✓ In the Italian practical experience, Liquidation P&A has proven to be a particularly flexible tool to solve the crisis of a wide range of banks, from smaller (e.g., local cooperative banks) to larger ones (Sis)





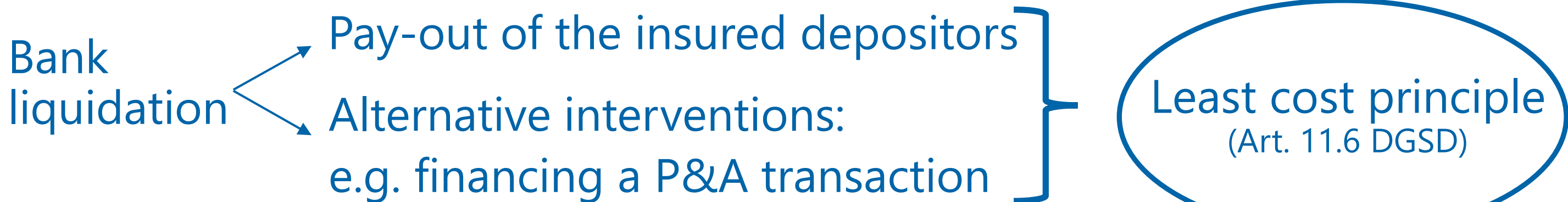
## 4. The Liquidation P&A bidding process

- Buyer identified following an open, competitive and non discriminatory procedure
- Appropriate and reasonable confidentiality measures in order to ensure the success of the operation and to avoid the disturbance of the financial stability
- Setting up of a VDR to allow bidders to carry out due diligence in view of the submission of a binding offer
- Tender to be conducted as quickly as possible in order to avoid the interruption of business and the destruction of value, to the detriment of the creditors (including DGS) and shareholders





## 5. DGS's Interventions - The least cost valuation



- Italian DGS is a **private-law consortium among banks**, whose decisions are taken independently from any choice of the Resolution Authority
- The least cost valuation is carried out **autonomously by the DGS**
- **Close cooperation** between DGS and Resolution Authority
- Direct vs indirect costs (loss of confidence, deposit runs, contagion effects)
- Final cost of an alternative intervention **certain**, cost of payout in a piecemeal liquidation **highly uncertain**





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**THANK YOU VERY MUCH FOR THE ATTENTION**

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# *Resolution approach to systemically important banks and non-SIFI banks*

## *World Bank FinSAC Conference 10 May 2023*

Jacques Botes

Head: Resolution and Crisis Preparedness Division

South African Reserve Bank



SOUTH AFRICAN RESERVE BANK



# Content

1. Scope of resolution framework
2. Systemically important financial institutions
3. Resolution strategies and planning
4. Open resolution strategy
5. Closed resolution strategies



# Scope of entities covered by Resolution

Designated institutions [s 29A(1) FSLAA] defined as:

- a) A **bank**;
- b) a systemically important financial institution (**SIFI**);
- c) the payment system **operator and participants** of a **systemically important payment system**;
- d) a company that is a **holding company** of a **bank**, a **SIFI**, or a payment system **operator of a systemically important payment system**; and
- e) subject to any determination in its subsection (2), **if a bank or a SIFI is a member of a financial conglomerate** in terms of section 160, **each of the other members of the financial conglomerate**.



# Scope of designated institutions - description

## 'members of a conglomerate'

All the members of a conglomerate are **automatically included** in the scope of resolution, **unless** the Governor informs them, in writing, that they will be excluded from the resolution group [s29A(2) FSLAA].

## a 'bank'

"bank" means a **bank** as defined in the Banks Act; a **branch** as defined in the Banks Act; a **mutual bank** as defined in the Mutual Banks Act; or a **co-operative bank** as defined in the Co-operative Banks Act

## a 'HoldCo'

A holding company, in relation to a subsidiary, means a juristic **person** or **undertaking** that **controls the subsidiary**. *This includes an intermediate holding company.*

Designated Institution

## a 'SIFI'

Non-bank financial institutions (**NBFIs**) will only fall within the scope of **resolution** if they are designated as **SIFIs**.

## a 'payment system'

The **operator and participants** of a **payment system** will fall under the scope of resolution if the **Governor designates the specific payment system as systemically important** [s29B FSLAA].

# Systemically important financial institutions

- The Financial Sector Regulation Act provides the SARB with the power to designate financial institutions as systemically important financial institutions (SIFIs)
- In 2018 the SARB published its methodology used to determine the systemic significance of banks
- In 2019 the SARB designated 6 banks as systemically significant – SIFIs
- The SARB has also published its methodology for insurers – no insurers have been designated as systemically important

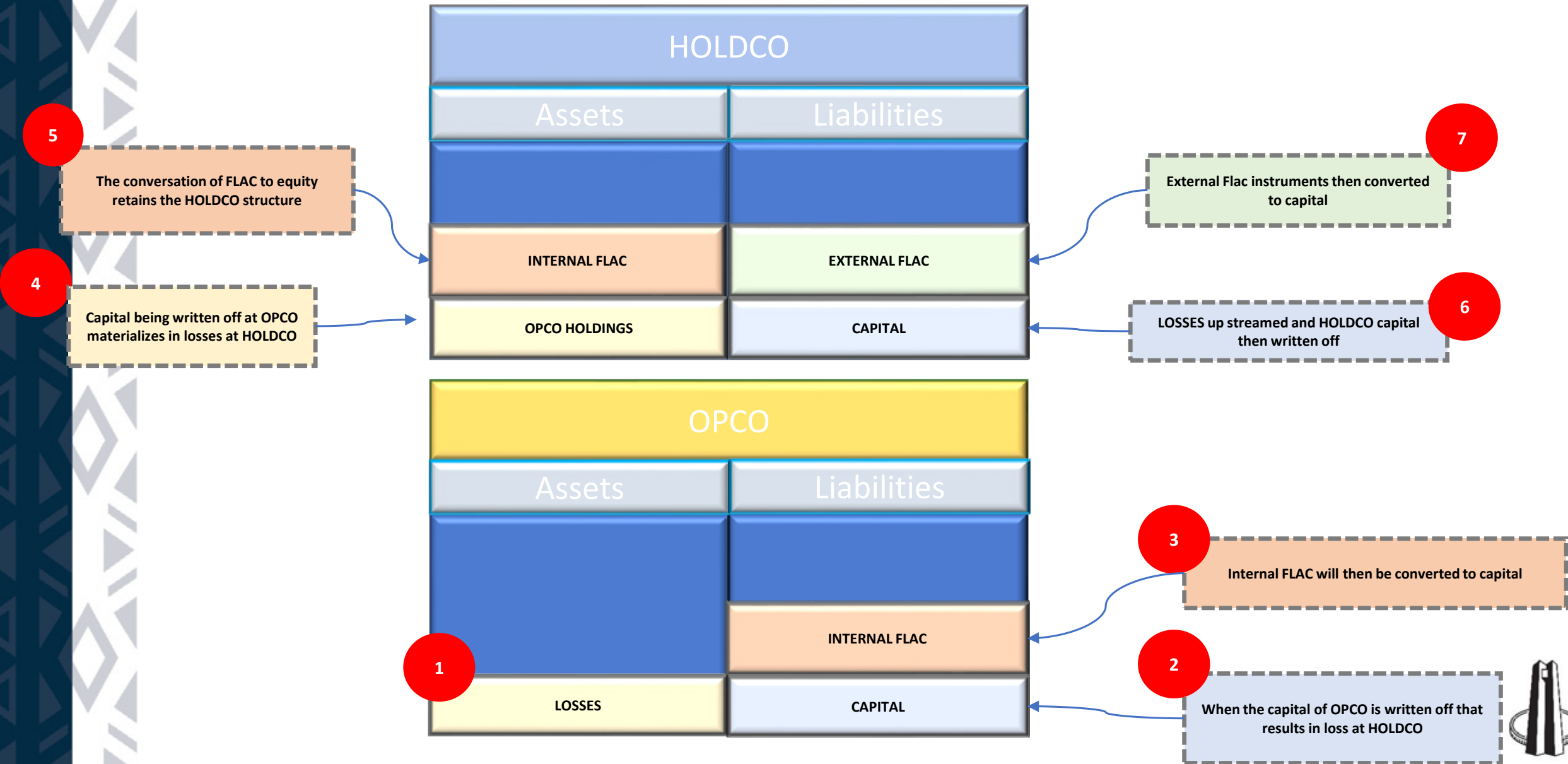


# Resolution strategies and planning

- SARB published a discussion paper in 2019 – Ending TBTF: South Africa’s intended approach to resolution
- Paper highlighted the different resolution strategies for SIFI banks and non-SIFI banks
- The strategy for SIFI banks will be an open resolution strategy with bail-in at the holding company
- SIFI banks will be required to issue loss absorbing instruments – Flac instruments
- The default strategy for non-SIFIs will be a closed resolution strategy with deposit insurance pay-out



# SIFI bank - dealing with losses through bail-in of Flac instruments



# Non-SIFI banks

- The default strategy for a non-SIFI bank will be liquidation
- The new Deposit Insurance Scheme will cover ‘covered’ depositors up to the limit
- Flexibility to do a purchase and assumption, bridge bank or ‘good-bank ‘bad-bank’ split
- Non-SIFIs are either smaller and simpler commercial banks, mutual banks or cooperative banks
- Non-SIFIs will not be required to issue Flac instruments
- Resolution planning and preparedness will be proportionate



# Non-SIFI banks – medium sized banks

- Default closed resolution strategy of liquidation may not be viable for medium sized non-SIFI banks
- In 2014 African Bank, the seventh largest bank at the time, was resolved with a ‘good-bank’ ‘bad-bank’ strategy
- The ‘bad’ assets, shareholders and sub-ordinated creditors were transferred to a ‘bridge’ entity while the ‘good’ assets and senior creditors remained in the bank entity
- The separation resulted in losses being allocated to certain creditors – portion of their claims transferred to wind down entity
- Consortium of banks injected new capital and become new shareholders - bank continued operating





**THANK  
YOU**



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